GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:5086
ANSWERED ON:20.12.2002
INTEREST RATES OF NABARD
CHANDRA NATH SINGH;KAILASH MEGHWAL;SADASHIVRAO DADOBA MANDLIK;SHIVRAJ SINGH CHOUHAN

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether there is a big difference between the refinance rate of interest charged by the NABARD through cooperative banks and Regional Rural Banks and the interest being charged by these banks through actual beneficiaries;

(b) if so, the comparative interest rate charged by NABARD and paid by actual beneficiary for the last three years;

(c) whether the interest rate has come down but it is not beneficial to farmers; and

(d) if so, the steps taken by the Government to provide credit to farmers at lower rate of interest?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

(a) and (b) The details of rate of interest on refinance provided by National Bank for Agriculture and Rural Development (NABARD) to cooperatives and Regional Rural Banks (RRBs) for various slabs for the last three years are given in the Statement-I and II respectively. The details regarding the rate of interest charged by cooperatives and RRBs at present as against last year on short term seasonal agricultural operation loan in respect of certain major states are given in Statement-III.

(c) and (d) The rate of interest on refinance available from NABARD has softened during the last three years. However, as the interest rates have been deregulated, cooperative banks and regional rural banks are free to charge rates of interest as per the decisions of the concerned banks. The main reason for relatively higher interest rates in cooperative banks include multi-layer structure of cooperative credit institutions, higher incidence of Non-Performing Assets (NPAs), high cost of deposits, etc. Reserve Bank of India and NABARD have taken several steps to reduce the level of NPAs by way of improving recovery management including implementing one-time settlement scheme and have advised these banks to review their deposit rates with an objective to align it with deposit rates offered by commercial banks.